

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 NSC-05 SS-15

STR-05 CEA-01 /093 W

-----038829 301052Z /20

R 300800Z DEC 77

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 8470

INF AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMCONGEN HONG KONG

UNCLAS SECTION 1 OF 2 SEOUL 10945/1

HONG KONG FOR REGFINATT

E.O. 11652: N/A

TAGS: EGEN, ECRP, ECON, KS

SUBJECT: PRELIMINARY 1977 GNP DATA

SUMMARY: PRELIMINARY DATA RELEASED BY THE BANK OF KOREA SHOW THAT THE ROK HAS COMPLETED ANOTHER SUCCESSFUL YEAR ECONOMICALLY. REAL GNP IS ESTIMATED TO HAVE INCREASED BY 10.3 PERCENT (25.5 PERCENT IN CURRENT PRICES) WITH REAL GDP UP BY 9.8 PERCENT. PER CAPITA INCOME HAS REACHED \$864. IN ADDITION TO THE STRONG EXPORT SECTOR IN GOODS AND SERVICES-- UP 25.8 PERCENT IN REAL TERMS---FIXED CAPITAL FORMATION ROSE BY 24.8 PERCENT AND WAS A LARGE CONTRIBUTOR TO THE GROWTH PROCESS. ON THE OTHER HAND PRIVATE CONSUMPTION CONTINUED TO TREND DOWNWARD SHOWING ONLY A SMALL 6.1 PERCENT GAIN WITH GOVERNMENT CONSUMPTION EXPENDITURES UP 9.3 PERCENT.

END SUMMARY.

1. BANK OF KOREA (BOK) ANNOUNCED DECEMBER 30 PRE-UNCLASSIFIED

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LIMINARY 1977 GNP DATA. REAL GNP IS ESTIMATED TO HAVE INCREASED BY 10.3 PERCENT (25.5 PERCENT IN CURRENT PRICES) WITH THE GNP DEFLATOR AT 13.8 PERCENT, THE SMALLEST SINCE 1973. PER CAPITA GNP, IN CURRENT PRICES, IS ESTIMATED AT \$864. WITH WHOLESALE PRICES ESTIMATED AT A 10 PERCENT GROWTH, THE ROK HAS APPARENTLY REACHED ITS TRIPLE TEN GOALS FOR 1977 (10 PERCENT GROWTH, 10

PERCENT INFLATION AND \$10 BILLION IN EXPORTS).

2. AS EXPECTED BECAUSE OF THE POOR FIRST QUARTER, AGRICULTURAL GROWTH SHOWED THE SMALLEST RATE OF INCREASE, 3.1 PERCENT, ALTHOUGH SOMEWHAT HIGHER THAN PROJECTED AT MID YEAR. MANUFACTURING GREW BY 11.2 PERCENT, ONE OF THE SMALLEST GROWTH RATES IN RECENT YEARS. ON THE OTHER HAND, CONSTRUCTION REALLY BOOMED, SHOWING A 32.4 PERCENT RISE ABOVE 1976 LEVELS AND SOCIAL OVERHEAD CAPITAL OUTLAYS WERE UP BY A SIGNIFICANT 17.7 PERCENT. SERVICES SHOWED A MORE NORMAL 8.5 PERCENT GROWTH RATE. (THE ABOVE RATES ARE IN REAL TERMS.)

3. INVESTMENTS OUTLAYS WERE THE LARGEST IN RECENT YEARS WITH GROSS DOMESTIC CAPITAL FORMATION IN REAL TERMS A LARGE 29 PERCENT OF GNP EXPENDITURES. IN FACT, THIS IS THE HIGHEST LEVEL REACHED BY THE KOREAN ECONOMY, SURPASSING THE 26 PERCENT LEVEL REACHED IN 1974. GROSS FIXED INVESTMENT GREW BY 24.8 PERCENT PACE BY PRIVATE CONSTRUCTION UP BY 32.9 PERCENT. ALL SEGMENTS OF THE CONSTRUCTION INDUSTRY PARTICIPATED: RESIDENTIAL CONSTRUCTION UP BY 39.3 PERCENT, NONRESIDENTIAL BY 13.6 PERCENT, AND ELECTRIC POWER CONSTRUCTION BY 53.2 PERCENT. GOVERNMENT CONSTRUCTION ACTIVITIES ALSO INCREASED BY A RESPECTABLE 25.6 PERCENT. IT CAN BE EASILY SEEN

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WHY CONSTRUCTION ISSUES PACED THE KOREAN STOCK MARKET ADVANCE IN 1977. OUTLAYS FOR MACHINERY AND EQUIPMENT INCREASED BY A RESPECTABLE 17.4 PERCENT, LESS THAN THE 20.8 PERCENT GAIN REGISTERED IN 1976.

4. IN CURRENT PRICES GROSS INVESTMENT REACHED 26.2 PERCENT OF GNP WITH NATIONAL SAVINGS AT 24.8 PERCENT OF GNP, THE HIGHEST LEVEL ON RECORD. FOREIGN SAVINGS WERE ESTIMATED AT 0.6 PERCENT WITH AN 0.8 PERCENT STATISTICAL DISCREPANCY. USING 1970 CONSTANT PRICES, GROSS INVESTMENT REACHED 29.6 PERCENT OF GNP (INCLUDING 0.6 PERCENT INVENTORY RATIO) WITH NATIONAL SAVINGS AT 32.6 PERCENT AND FOREIGN SAVINGS A NEGATIVE 3.5 PERCENT OF GNP. EITHER MEASUREMENT DEMONSTRATES THAT NATIONAL SAVINGS AND INVESTMENT ARE NEARLY IN EQUILIBRIUM, AUGURING WELL FOR THE COUNTRY'S FUTURE DEVELOPMENT.

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UNCLAS SECTION 2 OF 2 SEOUL 10945/2

HONG KONG FOR REGFINATT

E.O. 11652: N/A

TAGS: EGEN, ECRP, ECON, KS

SUBJECT: PRELIMINARY 1977 GNP DATA

5. AN ANALYSES OF GNP EXPENDITURES AT CONSTANT PRICES SHOWS THAT PRIVATE CONSUMPTION EXPENDITURES AS A PERCENT OF GNP HAS DECLINED TO 57.9, CONTINUING THE STRONG DOWNWARD TREND EVIDENT SINCE THE EARLY 1970'S. (FROM 1961 TO 1970 REAL PRIVATE CONSUMPTION AS A PERCENTAGE OF GNP FELL BY 6.7 PERCENTAGE POINTS. SINCE 1971 IT HAS FALLEN BY 15.7 PERCENTAGE POINTS*) IN CURRENT PRICES PRIVATE CONSUMPTION WAS 62.4 PERCENT OF GNP, ALSO A NEW LOW. PRIVATE CONSUMPTION EXPENDITURES IN REAL TERMS INCREASED BY 6.1 PERCENT, ALMOST A FULL PERCENTAGE POINT BELOW THE 7 PERCENT LONG-TERM TREND.

6. GOVERNMENT CONSUMPTION IN REAL TERMS AS A PERCENT OF GNP REMAINED AT 9.5 PERCENT (12.8 PERCENT IN CURRENT PRICES) AND GREW SLIGHTLY LESS THAN GNP AT UNCLASSIFIED

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9.3 PERCENT. (MANY BUDGETED GOVERNMENT EXPENDITURES, HOWEVER, HAVE BEEN POSTPONED UNTIL EARLY 1978 AS PART OF THE GOVERNMENT'S FINANCIAL STABILIZATION PROGRAM.)

AS NOTED ABOVE FIXED INVESTMENT SHOWED THE LARGEST GAINS 24.8 PERCENT AT CONSTANT PRICES AND 36 PERCENT IN CURRENT PRICES. EXPORTS AND IMPORTS OF GOODS AND SERVICES AT CURRENT PRICES WERE IN BALANCE AT \$12.5 BILLION WITH THE FORMER SHOWING A 37.3 PERCENT GAIN AND IMPORTS A 32 PERCENT GROWTH. AT CONSTANT PRICES, HOWEVER, THE RATES OF GROWTH WERE REVERSED WITH EXPORTS INCREASING BY 25.8 PERCENT AND IMPORTS AT 29.9 PERCENT. COMMODITY EXPORTS SHOWED A REAL GROWTH RATE OF 19.9 PERCENT, DOWN FROM THE 39.8 PERCENT RATE REGISTERED IN 1976

7. ALTHOUGH THE FOREIGN TRADE SECTOR HAS BEEN KOREA'S PRINCIPAL ENGINE OF GROWTH, IT WOULD APPEAR THAT IN 1977 BOTH THE GROWTH AND EXTEND OF INVESTMENT OUTLAYS MAY HAVE BEEN COEQUAL, IF NOT THE PRINCIPAL CONTRIBUTOR, TO THE GAINS REGISTERED. CALCULATIONS NETTING OUT IMPORT SHOW THAT AT LEAST 5 PERCENTAGE POINTS OF THE 10.3 PERCENT GROWTH WERE THE RESULT OF INVESTMENT OUTLAYS.

8. THE 11.2 PERCENT GROWTH IN MANUFACTURING WAS SOMEWHAT DISAPPOINTING, LESS THAN HALF THE 26.1 PERCENT GAIN SHOWN IN 1976. LIGHT INDUSTRY GREW BY 7.3 PERCENT (23.6 PERCENT IN 1976), PRINCIPALLY LEATHER AND RUBBER GOODS--23.5 PERCENT AND 24.5 PERCENT RESPECTIVELY. TEXTILES SHOWED A NEGATIVE 0.8 PERCENT RATE AND FOOTWEAR AND GARMENTS A SMALL 4.4 PERCENT GROWTH. ON THE OTHER HAND, HEAVY AND CHEMICAL INDUSTRIES GREW 17.1 PERCENT (30 PERCENT IN 1976) PAVED BY MACHINERY (24.6 PERCENT IN 1976)

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PERCENT) ELECTRICAL MACHINERY (17.5PERCENT) AND BASE METALS (18.1 PERCENT). EXCEPT FOR PETROLEUM PRODUCTS--UP 16.8 PERCENT--ALL GROWTH RATES WERE WELL BELOW 1976 LEVELS.

9. COMMENT: ON THE WHOLE THE KOREAN ECONOMY TURNED IN ANOTHER CREDITABLE PERFORMANCE IN 1977. EXPORTS CONTINUED TO SHOW GOOD GAINS ALTHOUGH THE STRONG GROWTH WAS IN THE SERVICE RATHER THAN COMMODITY SECTOR. A STRENGTHENING OF THE TERMS OF TRADE WAS ALSO A PLUS FACTOR. IN REALITY, IT WAS INVESTMENT, ESPECIALLY CONSTRUCTION ACTIVITIES, WHICH GAVE THE ECONOMY A REAL UPLIFT IN 1977. WHETHER THIS IMPETUS CAN BE CARRIED OVER INTO 1978 REMAINS A QUESTION. A BOOST MAY HAVE TO BE GIVEN TO THE MANUFACTURING SECTOR IF THE 10-11 PERCENT GROWTH PLANNED FOR 1978 IS TO BE ACHIEVED.

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Disposition Approved on Date:
Disposition Case Number: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Subject: PRELIMINARY 1977 GNP DATA SUMMARY: PREMILINARY DATA RELEASED BY THE BANK OF KOREA SHOW THAT THE ROK HAS COMPLETED ANOTHER SUCCESSFUL
TAGS: EGEN, ECRP, ECON, KS
To: STATE TOKYO
Type: TE
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